

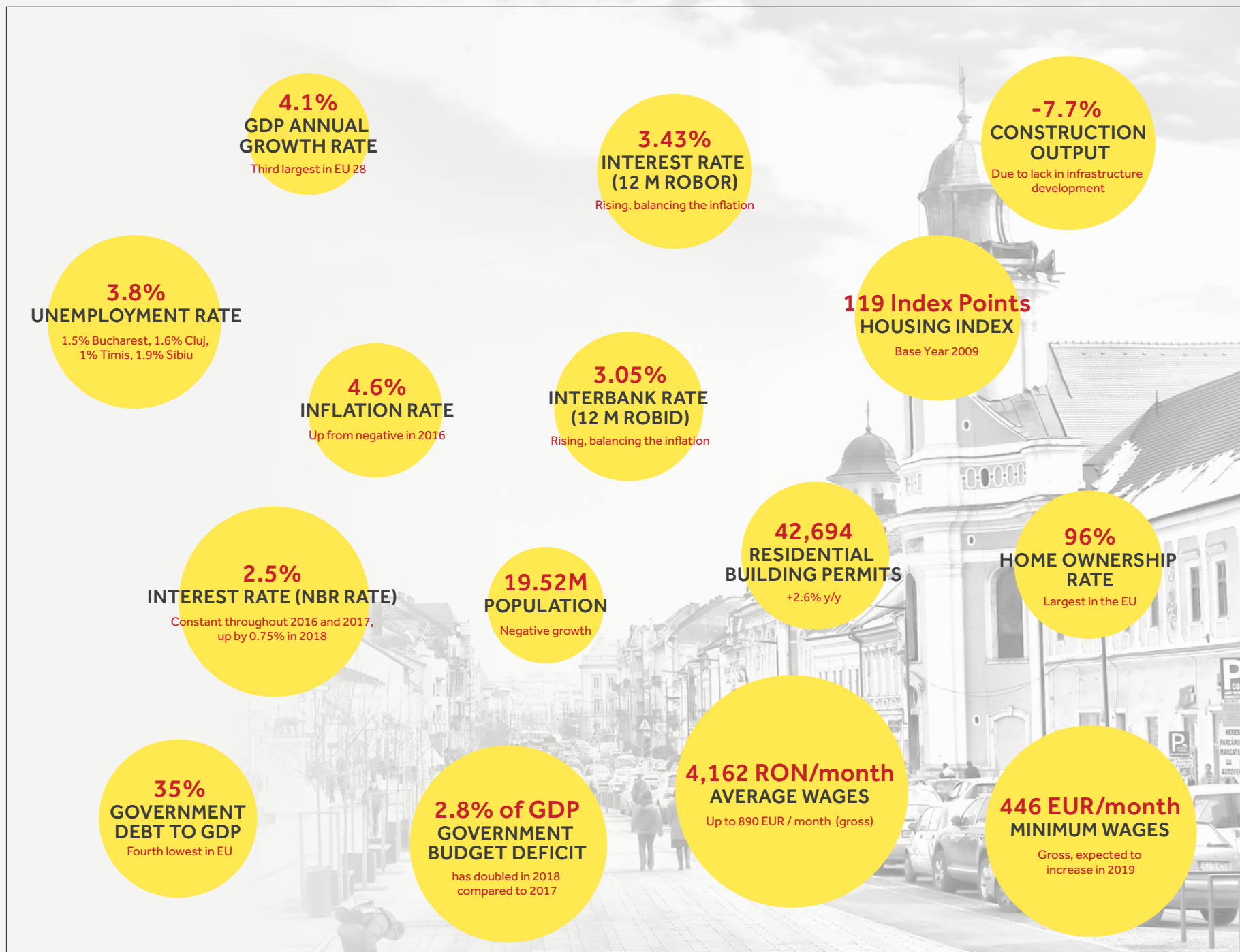
ROMANIAN REAL ESTATE MARKET

2018

INVESTMENT
OFFICE
INDUSTRIAL
RESIDENTIAL
LAND



Investment Market Overview



2018 – a sustainable growth

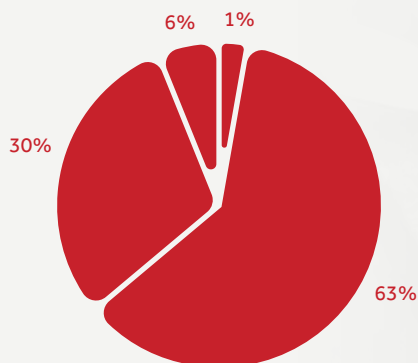
2018 has attracted a slightly smaller investment volume than the previous year. The total investment value stood at over 1.03 B EUR.

Prime yields have remained roughly the same as 2017, with the prime office and retail yields dropping by 0.25%.

With an increasing number of products available on the market, especially in the office segment, a few transactions pending from last year and a growing interest from new international investors, 2018 has continued the progression we have noticed in the previous two years.

With a slow start in Q1, the Romanian investment market has recorded a significant volume of transactions in the following quarters, which balanced the total value of deals for 2018.

Investment transactions by sector



2018 transactions (estimated M€)

63%	648.5	Office
30%	307.5	Retail
6%	60.9	Industrial
1%	15.1	Hotel

Total: 1,032

Investors in the **office** segment have been the most active, the volume of office transactions having a 63% share in the total value of transactions. The largest office transaction (200 M EUR) was the sale of The Bridge project in Bucharest to the Pavel brothers, the owners of the largest DIY chain in Romania. Lion's Head Investment, a fund with South African source of capital and a newcomer to the Romanian investment market was the second largest investor on the office market, with the acquisition of Oregon Park complex for 170 M EUR.

With a 30% share of the total investment activity, the **retail** sector registered two large transactions in Bucharest, where Irish investor Caelum Development sold their 50% share in ParkLake shopping mall to Sonae Sierra, the Portuguese fund becoming the sole owner of the retail project. The transaction is estimated at over 100 M EUR. Militari Shopping Center was sold for 95 M EUR to a large South African investor, MAS RE. The other cities where a few smaller retail products attracted investors were Sibiu, Brasov, Oradea and Arad.

Due to a lack of new products, only four significant deals with a total estimated value of 60.9 million EUR were concluded on the **industrial** market. Once new facilities will be delivered, the investment activity is expected to bounce. In comparison to 2017, the industrial investment activity has been 77% lower.



1.03 B EUR
investment volume,
offices taking the
lead with 63%

Prime yield outlook 2018

*As reported by the National Statistics Institute.

**Office yield refers to prime office spaces.

7.25%

7%

8.5%

Office

Retail

Industrial

Top 10 investment transactions Romania 2018

Qrt.	Property Name	City	Segment	Seller	Buyer	Price (M€)
Q3	The Bridge	Buc.	Office	Forte Partners	Paval brothers	200
Q2	Oregon Park	Buc.	Office	Portland Trust	Lion's Head Investment	170
Q4	50% of ParkLake shares	Buc.	Retail	Caelum Development	Sonae Sierra	CONF
Q2	Militari Shopping Center	Buc.	Retail	Atrium European Real Estate Limited	MAS Real Estate Inc	95
Q4	The Landmark	Buc.	Office	Piraeus Bank	Revetas Capital	65
Q2	Campus 6 (Building 1)	Buc.	Office	Skanska	CA Immo	53
Q3	Crystal Tower	Buc.	Office	Search Corporation	PPF Real Estate	48
Q4	Atrium Shopping Mall	Arad	Retail	Demjan Group	Prime Kapital & MAS REI	40.5
Q4	Bucharest Corporate Center	Buc.	Office	Immofinanz	One United Properties	29.2
Q2	UTI Business Center	Buc.	Office	UTI Grup	ForeVest Capital Partners	24



Romanian investors
entered the top

Forecast

An aspect we have already observed in 2018 and which will most likely continue throughout the following years is that new actors are entering the Romanian market, encouraged by the good results of established investors.

Another change might come with the increasing interest of some national players who have been testing the market in the past few years. In 2018, Romanian entrepreneurs have entered the big league of real estate investors. Dominated by foreign investors, especially South African funds, Romania has been the entry point for South African institutions looking to expand their portfolios into CEE. Romania's investment market records the highest level of investment yields in Europe (7.25 – 7.5%). Taking into account the relatively good economic outlook we expect an increased interest from foreign investors and potentially a yield compression.

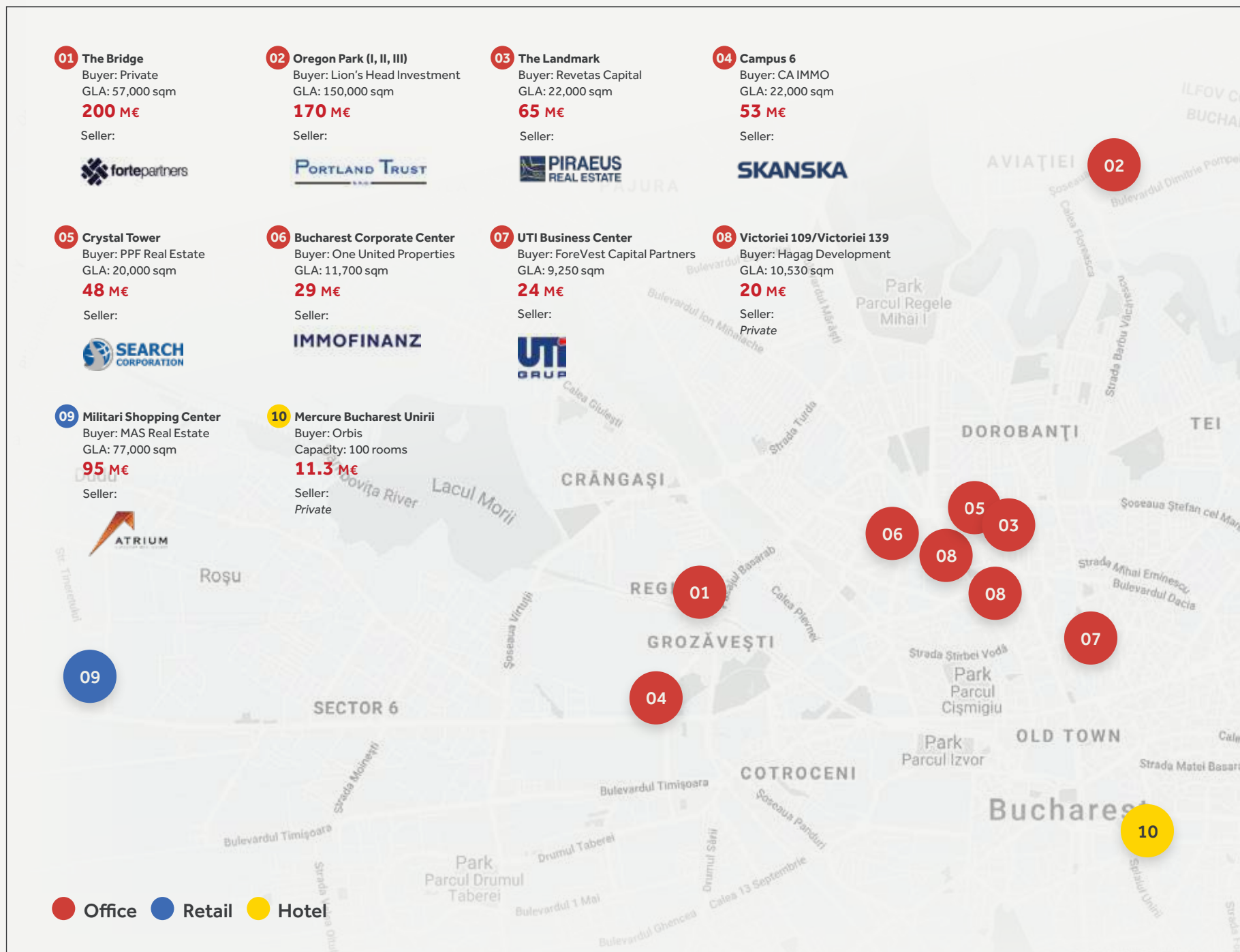


New entrants
are expected.
Romania records
the highest yields
in Europe

Along with the delivery of new office and industrial projects and the existing players' surging need for expansion, there is a big chance that large transactions will be registered in 2019. The retail investment activity will most likely concentrate on small projects present on secondary markets. Bucharest will remain the top destination for investors, because of the accessibility of the most attractive products, the availability of highly qualified workforce and the presence of the most successful economic operators in the country.

Despite a few circumstances that might affect the investment activity (a slowdown in the GDP growth and the political instability being the main internal factors while Brexit being the most important external cause), the market is expected to remain dynamic, with similar investment volumes as the previous years.

Bucharest investment market



Main drivers of growth

Growth propelled by domestic demand

A healthy growth of personal consumption is also reflected in the data on real retail turnover and growing consumer optimism. Consumer confidence, consumer expectations and consumer sentiment index neared the levels before the recession. The more positive outlook of households is based on two key factors: significant income growth (growth of the minimum income, growth the public sector employees' salaries, pension growth) and the low interest credit rates.

Romania's overall tax burden is comparatively low

The new Fiscal Code and Fiscal Procedure Code, which came into force on 1 January 2016, introduced several incentives for companies and individual investors, combined with a reduction of the standard VAT rate. Another batch of incentives projected for this year should help further accelerate growth and increase investment. Nearly 70% of Romanian CFOs stress that the tax changes should positively affect their business.

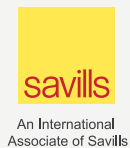
The level of education remains one of Romania's strengths, especially in terms of language proficiency and sciences

The cost-effective but talented labor force is a factor attracting outsourcing centers. The business services sector is helping drive the country's economy. Nine Romanian cities are among the TOP 15 cities with the highest download speed in the world.



Consumer confidence, favorable tax conditions, diverse talent pool drive investments

Office Market Overview



Romanian
Real Estate
Market 2018

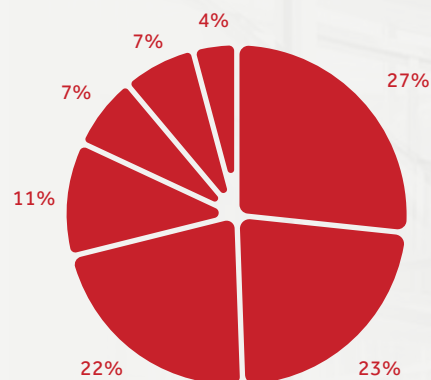
2018:

Bucharest continues to be the largest office market in Romania, the office stock in the city at the end of 2018 exceeding the 2.9 M sqm threshold, with new deliveries of about 190,000 sqm. 2019 is expected to set a new record on the market, with around 360,000 sqm planned for delivery in a single year.

The leasing activity amounted to 358,000 sqm, 25% higher than in 2017, with a net take-up of 280,000 sqm. The largest single transaction for a new lease was Microsoft's consolidation rental of 23,500 sqm in Campus 6.

The increasing demand led to a vacancy rate of 7%, 1.5% lower than that of the same period of 2017, with 15% of the contracts signed in the pre-completion phase.

Breakdown by area



27% West
23% Pipera
22% Central
11% CBD
7% Floreasca/Barbu Vacarescu
7% North
4% Other

Stock & Supply

The total stock of office spaces reached a little over 2.9 M sqm in Q4 2018. The largest **developers** active on the market are Immofinanz, GTC, NEPI, Globalworth, Skanska, Nusco, AFI Group and Portland Trust. We expect the market to remain dynamic in the years to come, as over 600,000 sqm are to be delivered in 2019-2020.

Stock 2018



2.9 M sqm

Pipeline 2019



360,000 sqm

Demand

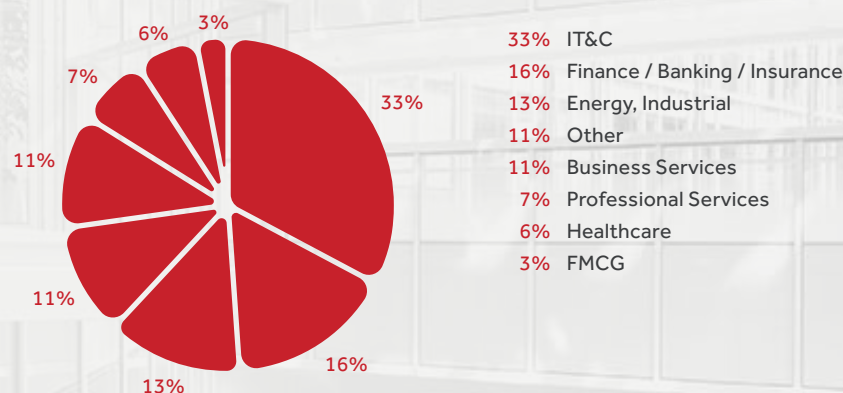
The development of the IT&C and outsourcing companies continued in 2018, maintaining the ascending trend registered during last years and bringing an important contribution to the GDP and to the development of the office market.

The same industries seem to have dominated the office lease activity throughout 2018, with 49% of the leases split between the IT&C and Finance/Banking/Insurance companies. The average deal size in 2018 was at 1,470 sqm, IT&C companies being the most active in terms of number of leases.

For the first time on the Romanian market, the main operators within the co-working segment have entered the top of the most active industries regarding the leasing activities, with an 8% share at the end of the year. The largest take-up by a single operator, Mindspace, added to 12,000 sqm in three Globalworth office buildings (City Offices, Globalworth Campus, Bucharest Tower Center).

The most sought-after area was the Western part of the city (28%), followed by Pipera (24%) and the Central submarket (22%).

Breakdown by industry



2019 to set a record stock. IT&C dominates the leases. 1,470 sqm average deal size

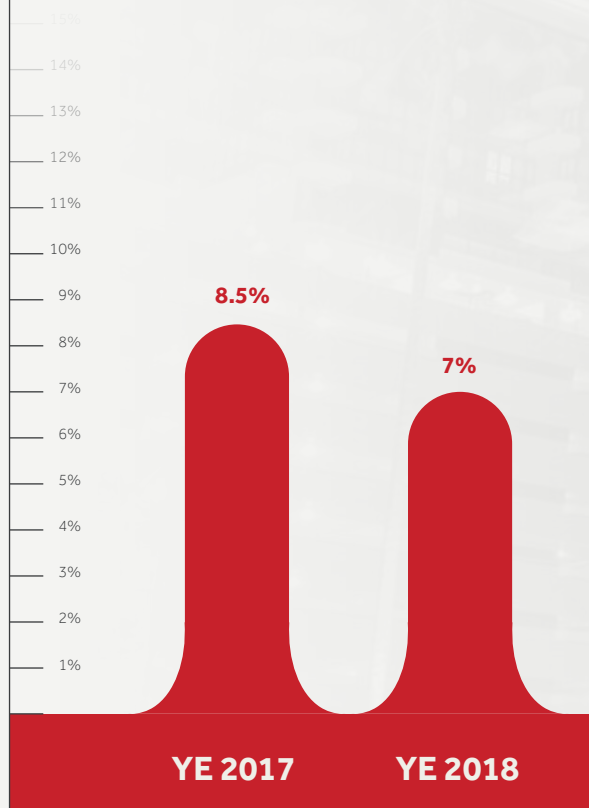
Prime Rents & Vacancy Rates

Prime headline rents remain unchanged (EUR 18 - 19 EUR/sqm/month) and are expected to remain at the same level in 2019. Landlords are offering incentives such as rent-free periods and fit-out budget, thus net effective rents are approximately 10% - 15% lower than headline rents. However, the low vacancy rate will likely cause a decrease in incentives.

The vacancy rate in Q4 2018 has reached the lowest historical level of 7%. If the planned projects for 2019 will be delivered in time, the vacancy rate is expected to rise by 0.5-1%.

The rent level of an underground parking space ranges between EUR 100 to EUR 150/month in prime CBD locations.

Vacancy rate yoy



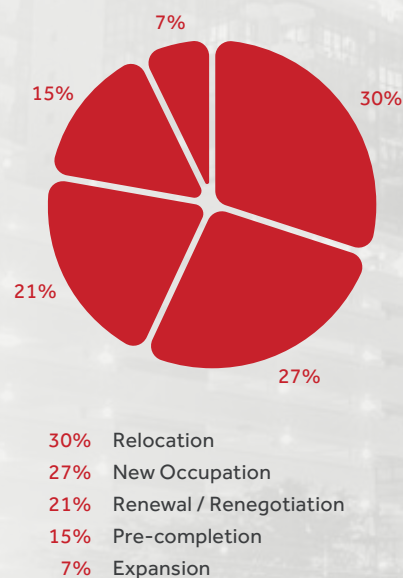
Trends

The office market has become more competitive in the past years. The high level of deliveries on the office market will lead to the overrun of the office request in Bucharest, therefore entailing a possible decrease of the occupancy rate, mainly in the older buildings, situated in areas with poor accessibility. The owners will need to invest in refurbishments or to lower the occupancy costs in order to stay in the game with the new generation of buildings, in their majority green offices with state-of-the-art amenities and excellent connections to the public transportation, especially the subway. As companies increasingly seek high quality office space and the city attracts new large companies, we expect the gap in vacancy rates between A and B class buildings to widen.

The campus office buildings are becoming more attractive and their market value could increase with the growing interest that developers of real estate projects, holders of portfolios and potential tenants have shown in the last period.

Areas like Floreasca/Barbu Vacarescu and the Western submarket are registering the lowest vacancy rates, whilst the average vacancy rate for the South sub-market remains over 20%.

Breakdown by transaction type



Historically low
vacancy rates



Vacancy rates in older
buildings to increase



Floreasca & the West
remain the hotspots

Office investment market

Investment Market

The office segment has dominated the investment market throughout 2018, with a 71% share in the total investment activity nationwide.

98% (over 633 M €) of the office transactions were registered in Bucharest.

Bucharest key office transactions, 2018

01 The Bridge

Buyer: Private
GLA: 57,000 sqm

200 M€

Seller:



02 Oregon Park (I, II, III)

Buyer: Lion's Head Investment
GLA: 150,000 sqm

170 M€

Seller:



03 The Landmark

Buyer: Revetas Capital
GLA: 22,000 sqm

65 M€

Seller:



04 Campus 6

Buyer: CA IMMO
GLA: 22,000 sqm

53 M€

Seller:



05 Crystal Tower

Buyer: PPF Real Estate
GLA: 20,000 sqm

48 M€

Seller:



06 Bucharest Corporate Center

Buyer: One United Properties
GLA: 11,700 sqm

29 M€

Seller:



07 UTI Business Center)

Buyer: ForeVest Capital Partners
GLA: 9,250 sqm

24 M€

Seller:



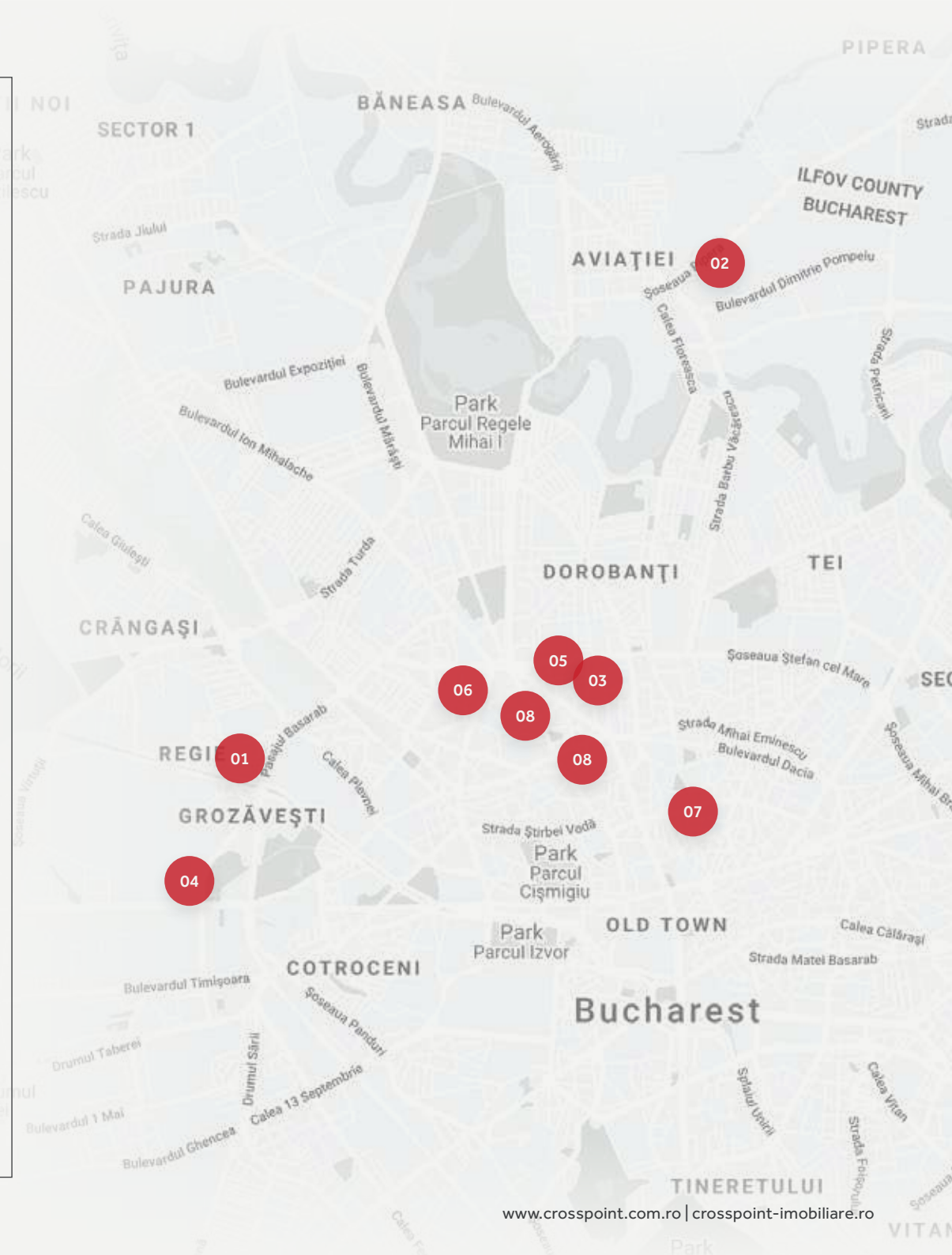
08 Victoriei 109/Victoriei 139

Buyer: Hagad Development
GLA: 10,530 sqm

20 M€

Seller:

Private



Access
to subway
stations



Companies in Bucharest tend to move closer to the subway, due to underdeveloped traffic solutions

Source: Crosspoint Research, 2018 leases

SUBWAY



OFFICE



0 m 250 m 500 m 1000 m < 1000 m



Waiting time (rush hour)



Waiting time (outside rush hour)

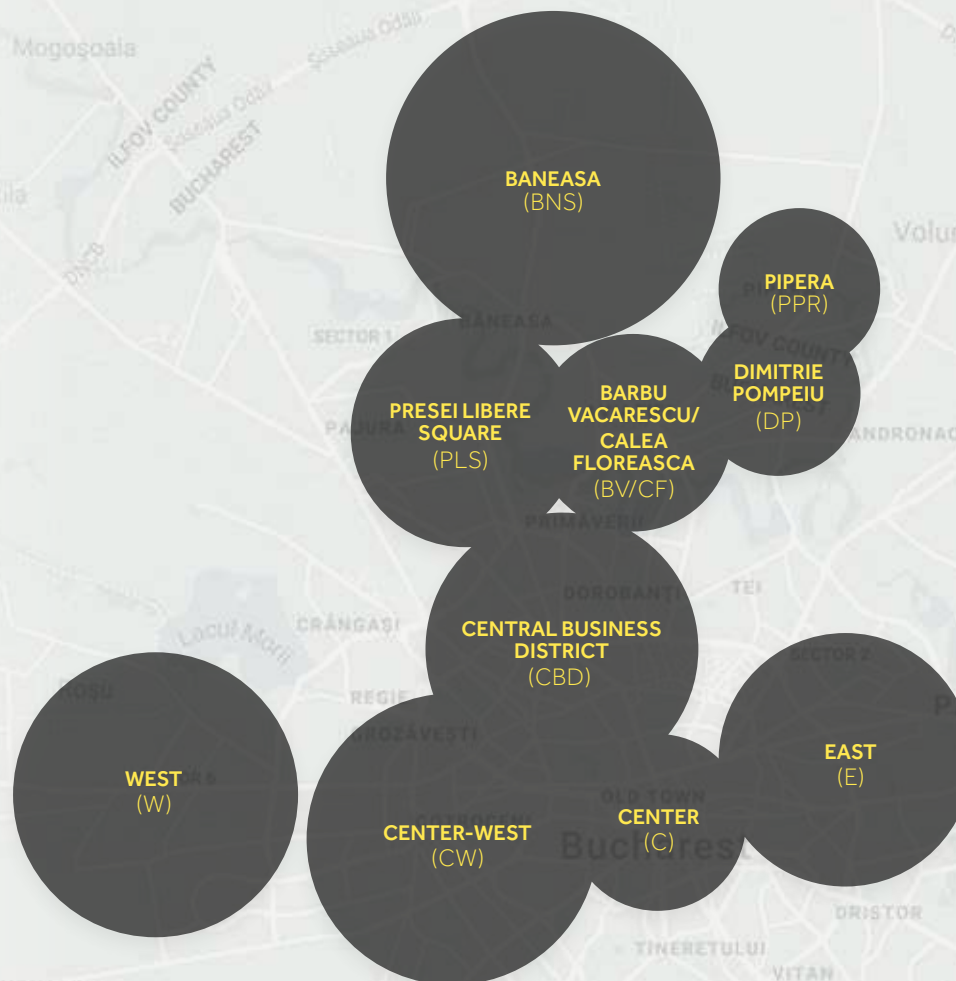
Source: METROREX

Bucharest office districts map

Bucharest map with office districts

In the bottom left corner of the office map you will find one of the abbreviations below. These abbreviations are all assigned to a zone on the map here.

BANEASA (BNS)
PIPERA (PPR)
DIMITRIE POMPEIU (DP)
BARBU VACARESCU (BV)
CALEA FLOREASCA (CF)
PRESEI LIBERE SQUARE (PLS)
CENTRAL BUSINESS DISTRICT (CBD)
CENTER-WEST (CW)
WEST (W)
CENTER (C)
EAST (E)
EXPOZITIEI (EX)
NORTH (N)



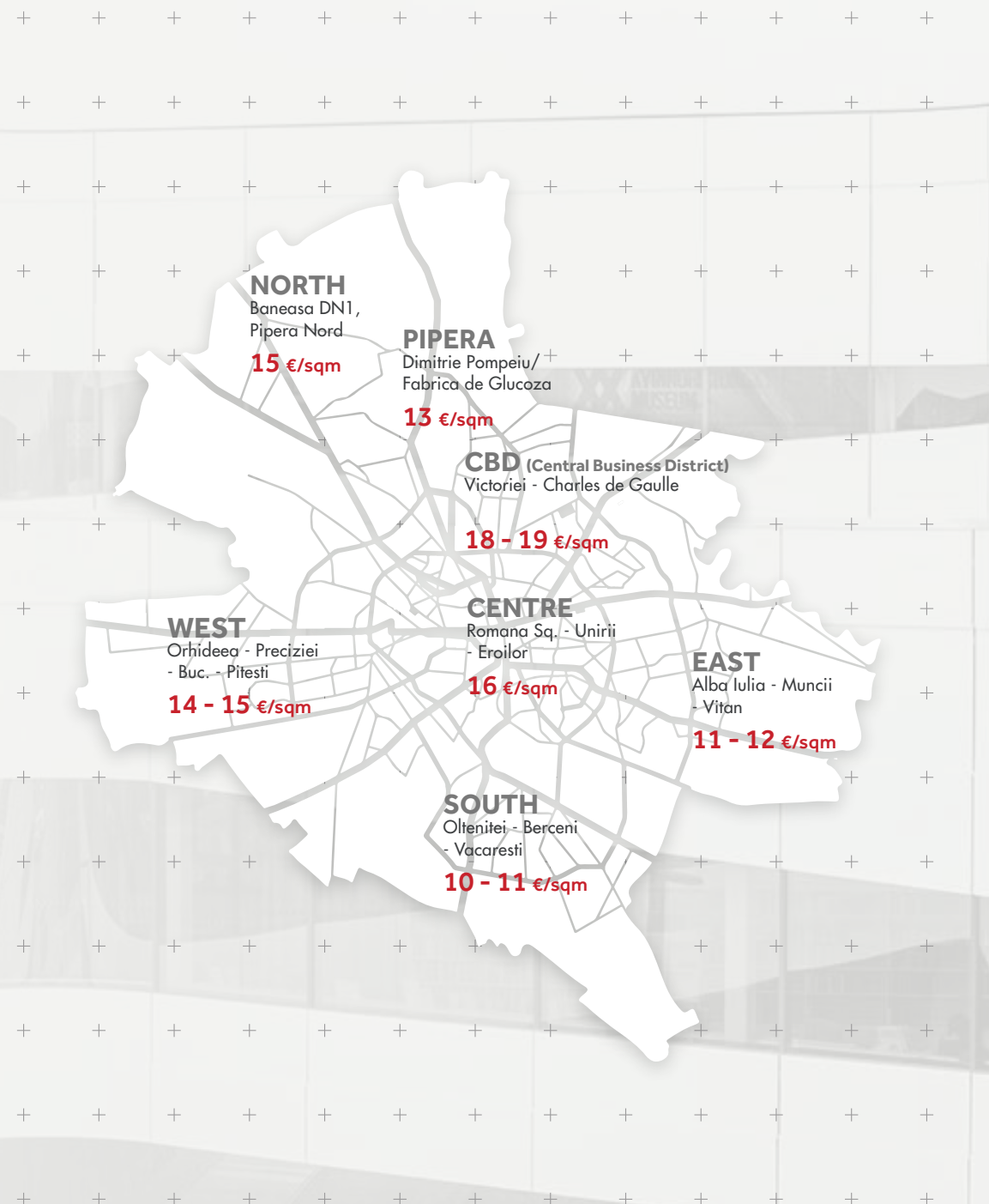
Bucharest office rent levels

Prime buildings underground parking rent levels by area

CBD	120-150 €
Centre	100-120 €
Pipera	80-120 €
North	80-120 €
West	80-120 €
South	60-80 €

Office buildings to be delivered by year end 2019

The Bridge phase II (W)	20,200
Bucharest Business Garden (W)	41,000
Oregon Park C (PPR)	24,000
Globalworth Campus C (PPR)	35,000
Expo Business Park (N/EX)	38,000
The Light I (W)	21,000
Ana Tower (N/EX)	35,600
Zone 313 (BV/CF)	6,700
Timपुरi Noi Square 3 (C)	20,000
Danielopolu 30-34 (N)	13,000
Equilibrium 1 (BV/CF)	20,800
Renault Bucharest Connected (W)	47,000
Anchor Metropol (W)	34,500
TOTAL	356,800 GLA



Extra
costs



**Average
fit-out
costs**

250-650 €/sqm



**Average
furniture
costs**

100-210 €/sqm



**Average
relocation
costs**

25-150 €/employee



**Average
technology
costs**

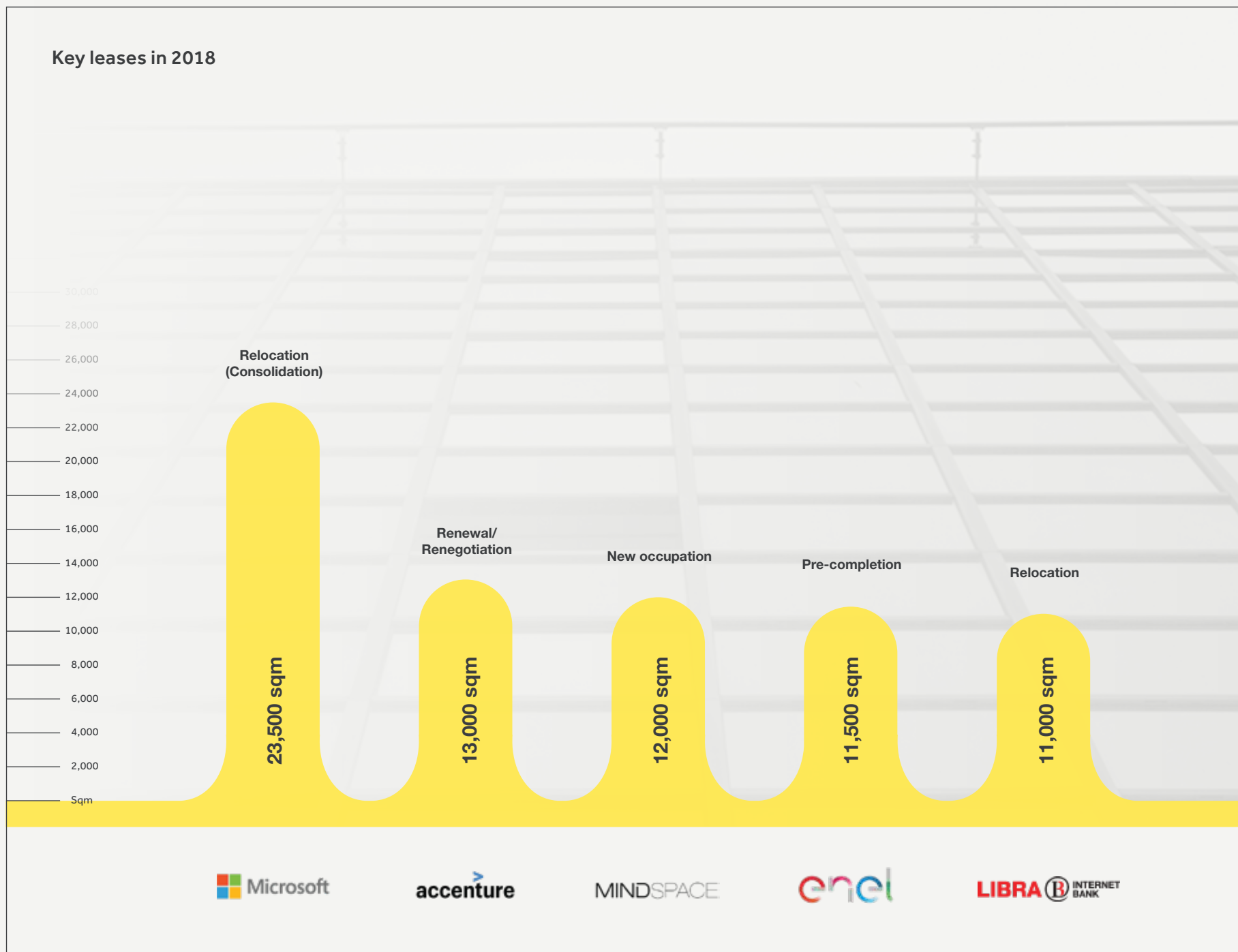
35-125 €/sqm



**Average
security
costs**

20-50 €/sqm





Industrial Market Overview



Romanian
Real Estate
Market 2018

Supply

Romania's industrial stock currently stands at around 3.75 million sqm, with another 400,000 sqm planned to be delivered by the end of 2019. Thus, 2018 has marked a new record on the industrial market, with approximately 455,000 sqm delivered in a single year.

Bucharest continues to be the largest market, with a 2.2 million sqm stock at the end of 2018.

Demand

The leasing activity in 2018 amounted to around 520,000 sqm, with most of the deals being new leases. Bucharest was the most dynamic market, with a 58% share, followed by Cluj and Timisoara, with a combined share of 30%.

The main demand comes from logistics companies which rented over 120,000 sqm of industrial space.

Rent Levels

Prime industrial rents have remained roughly unchanged from last year, 4.25 EUR/sqm/month in Bucharest and 3.7 EUR/sqm/month in the major regional cities. Additional costs include property tax and insurance, security and maintenance and range from 0.5 EUR/sqm/month to 0.9 EUR/sqm/month.

Vacancy Rates

Despite the record level of new deliveries, the industrial vacancy rates remain low, around 5% nationwide, with Bucharest's vacancy level at 3%.

Yields

Prime yields in Bucharest hover around last year's levels of 8.5%, while in regional cities prime yields vary from 8.75% to 9.25% and secondary cities register yields of 9.25%-10.25%.

Quarterly industrial space deliveries 2018



Q1: 85,000 sqm



Q2: 20,000 sqm



Q3: 150,000 sqm



Q4: 200,000 sqm



Record deliveries in 2018,
yet vacancy is still low

Top
industrial
leasing
deals

Tenant	Facility	Location	Sector	Rented area (sqm)
Metro	WDP Stefanesti	Bucharest	Retail	56,500
Carrefour	WDP Deva	Deva	Retail	44,000
Ruukki	Bolintin Deal facility	Bucharest	Production	35,000
Carrefour	WDP	Ploiesti (Brazi)	Retail	32,500
Aquila Prod	WDP Dragomiresti	Bucharest	Logistics	24,000
LPP Romania	WDP Stefanesti	Bucharest	Retail	22,100
DB Schenker	CTPark Bucharest W	Bucharest	Logistics	21,000
Ursus Breweries	WDP	Buzau	FMCG	20,000

Industrial
investment
deals

Property	Location	Buyer	Seller	Value (M€)
Dunca Logistics Center	Timisoara	WDP	Dunca Imobiliare	21
CTP Park Cluj I	Cluj-Napoca	WDP	CTP	14.5
Bolintin Deal Factory	Bucharest	Peikko Group	Ruukki	14.4
Ghimbav Industrial Project	Brasov	WDP	Flenco East Europe Fluid System	11

Only four relevant industrial transactions were completed to date, with a total estimated value of 60.9 million EUR, due to the low availability of products on the market. Once new facilities will be delivered, the investment activity is expected to bounce. In comparison to 2017, the industrial investment activity has been 77% lower.



Small no. of deals due
to lack of products

Romanian motorways current situation

(existing, under construction & planned)

A new high-speed highway to bypass Bucharest and link A1 highways from Pitesti and A2 from Constanta was announced by the Motorway Company.

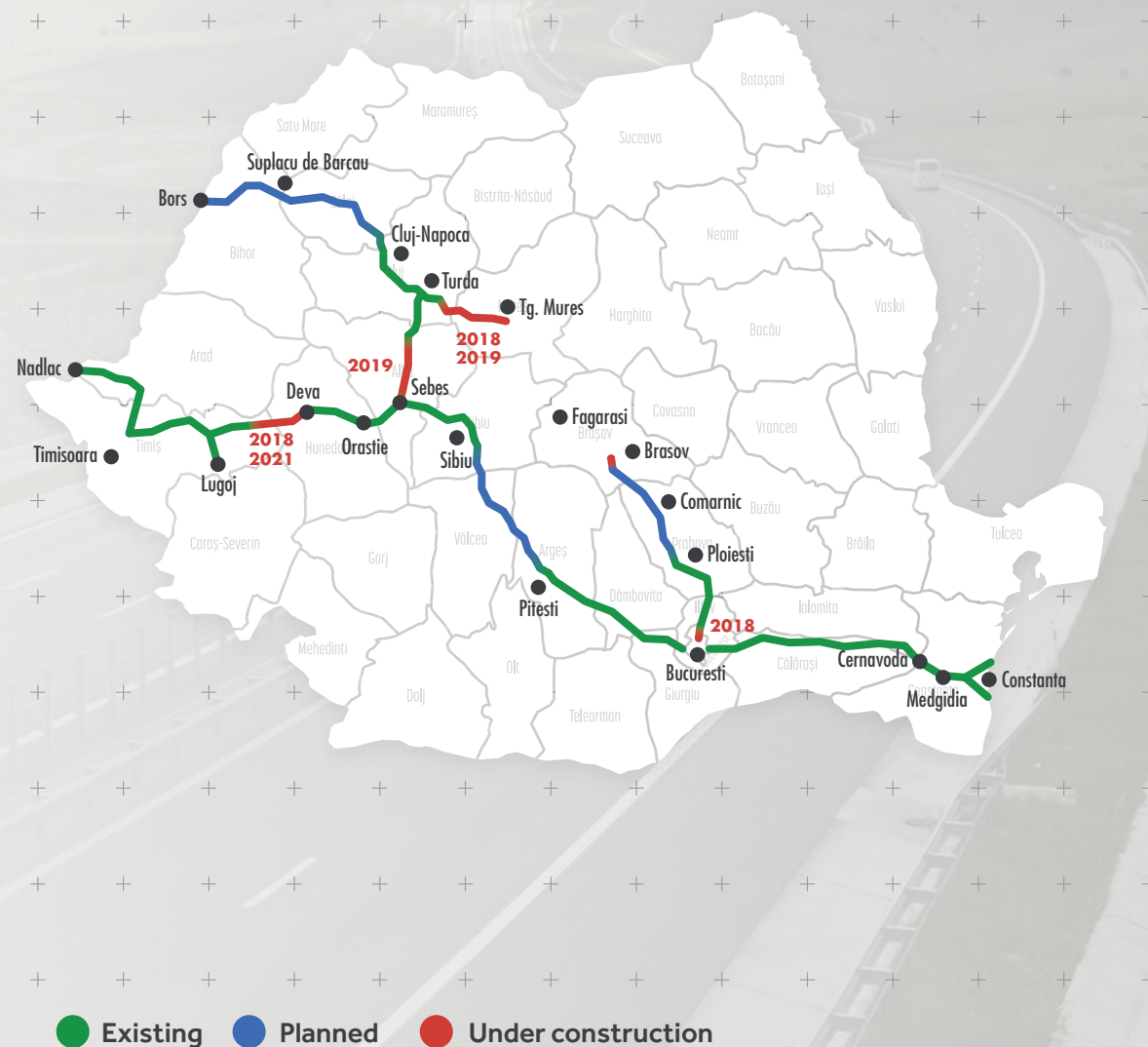
The Belt Motorway (A0) South of Belt Ring II as it is known - would be 52 kilometers long and the Motorway Company estimates that the design and execution will cost about 580 million euro and it will take three and a half years from signing the contract.

60 km of new highway has been delivered in 2018 in Romania, 48% of the estimate from the government at the beginning of the year. For 2019, another 118 km are expected to be delivered.



Only half of the planned Km were delivered

Source: 130km.ro



Distribution

In 2019 the industrial market will have a similar dynamics with 2018. In Bucharest, due to the continuous development of e-commerce, the demand for logistics and distribution centers inside the beltway, known generically as urban logistics, will increase. Furthermore, the changes in legislation regarding fire safety will raise the demand for modern industrial facilities with areas below 1,500-2,000 sqm. Owners of small facilities built until now will have to make significant investments in the modernization of their spaces in order to comply with the new regulations.



Urban logistics
to increase



Low surfaces will
be high in demand

Logistics

At a country level, the areas which benefit from highway and infrastructure access will continue to develop logistics and production facilities. Thus, the logistics segment will help the development of cities in Transylvania, like Oradea, Cluj-Napoca and Targu Mures.

On the production subsegment, the demand will concentrate on areas where, along with the access to modern infrastructure, there is an availability of qualified workforce. Cities like Brasov for example attract large production companies as well as their local subcontractors. An important advantage that Brasov will have is the opening of the airport in 2020.

Main players

The main players on the market remain WDP, CTP, P3 and Zacaria Group. For 2019-2020, they announced deliveries of over 700,000 sqm in Bucharest, Sibiu, Cluj, Timisoara and Pitesti.



Access and
workforce are key
for production



Retailers build their
own facilities

Facilities

The fact that more and more companies are moving to self-developed facilities will maintain the rents at the same levels as the previous years. E-commerce company Emag has completed the development of its 120,000 sqm warehouse and retailer Altex is developing its own logistics center, with two warehouses totalling 90,000 sqm and another 46,000 sqm of external logistics platforms.

Residential Market Overview



Romanian
Real Estate
Market 2018

Overview

Amid significant macroeconomic changes (the increase of the inflation rate up to 4.6%, the raise of the interest rate from 1.75% to 2.5%, rise of ROBOR 12m to 3.43% in December 2018), the residential market registered a decline in 2018 compared to the previous year.

The "First Home" programme has recorded a decrease in demand, caused mainly by tougher lending conditions. In September of this year, 75% of the existing funds for this programme have been exhausted, the equivalent of 16,000 warranties. The 2018 budget for "First Home" was 2 billion lei, while in the previous years the allocated budget was larger and the funds were used up earlier (June/July). Furthermore, according to the National Bank of Romania, the indebtedness rate for clients contracting a "First Home" type of credit reached 44%, 5% higher than in the previous years. The rate is also higher than that of clients who acquire other types of mortgages, who's average indebtedness rate is 42%.

The increase in the price of construction materials and a lack of qualified workforce in the constructions sector are the main problems developers are facing right now. Construction companies rank second in the top companies under insolvency. In 2018 alone, 1,207 construction companies went into insolvency. According to a study published by the National Statistics Institute, the volume of construction works on the residential segment has registered a decline of 31% yoy in January-August 2018.

The demand on the residential segment has decreased by 18% in 2018 in comparison to the previous year. In Bucharest, the demand decreased by 11%.

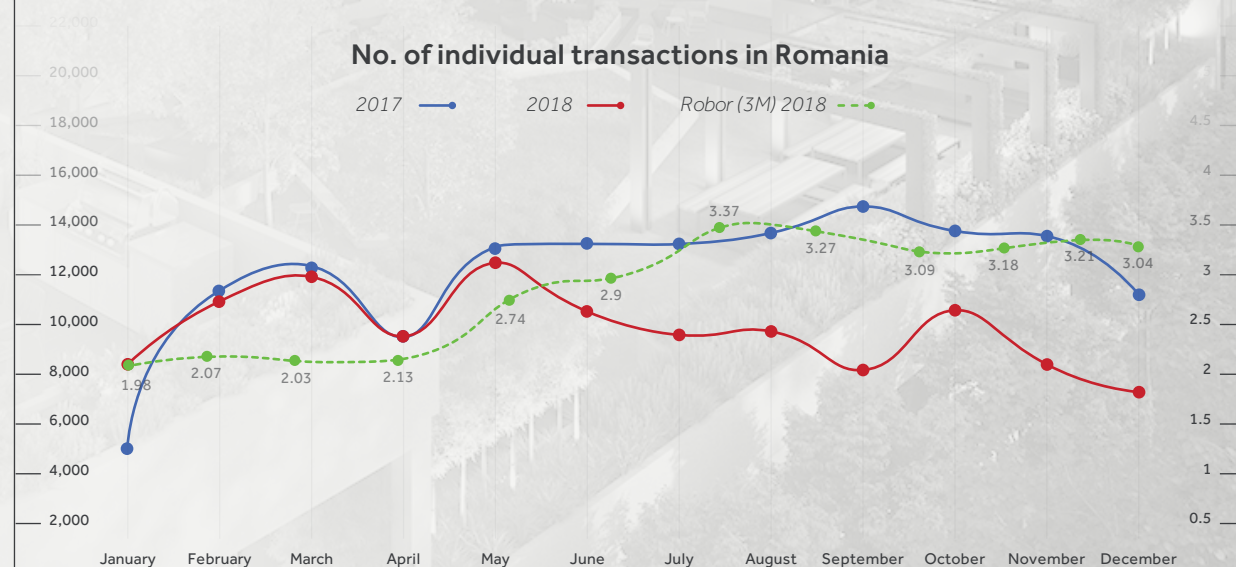


18% drop in demand.
"First Home" is no longer
the first option

Month	2017	2018	Dynamics (y/Y)
January	5,620	8,990	60%
February	11,911	11,488	-4%
March	12,825	12,473	-3%
April	10,085	10,117	0
May	13,586	13,021	-4%
June	13,772	11,102	-19,39%
July	13,767	10,173	-26,11%
August	14,205	10,310	-27,42%
September	15,250	8,785	-42,39%
October	14,283	11,148	-21,95%
November	14,080	9,002	-36,07%
December	11,760	7,909	-32,75%
JAN-DEC	151,144	124,518	-18%
AVERAGE	12,595	10,377	

Change (no.)

26,626



No. of individual transactions in Romania, 2018 vs 2017. Source: ANCPPI

Bucharest Residential Market

01. Demand

In Bucharest, the sales volume was 11% lower than that of 2017, from 38,986 units in 2017 to 34,813 units in 2018.

Lately, clients have become more informed on aspects regarding the residential market and pay more attention to the quality of the new residential projects and the facilities in the area and are searching for green buildings or smart homes. The demand is concentrated mainly on medium sized dwellings, in areas with good connectivity to public transport, especially in the vicinity of metro stations.

The Bucharest residential market continues to record the highest demand in the country, with over 70% of the newly built apartments sold in the pre-construction phase.



Smart & green buildings are the new trend

Trends

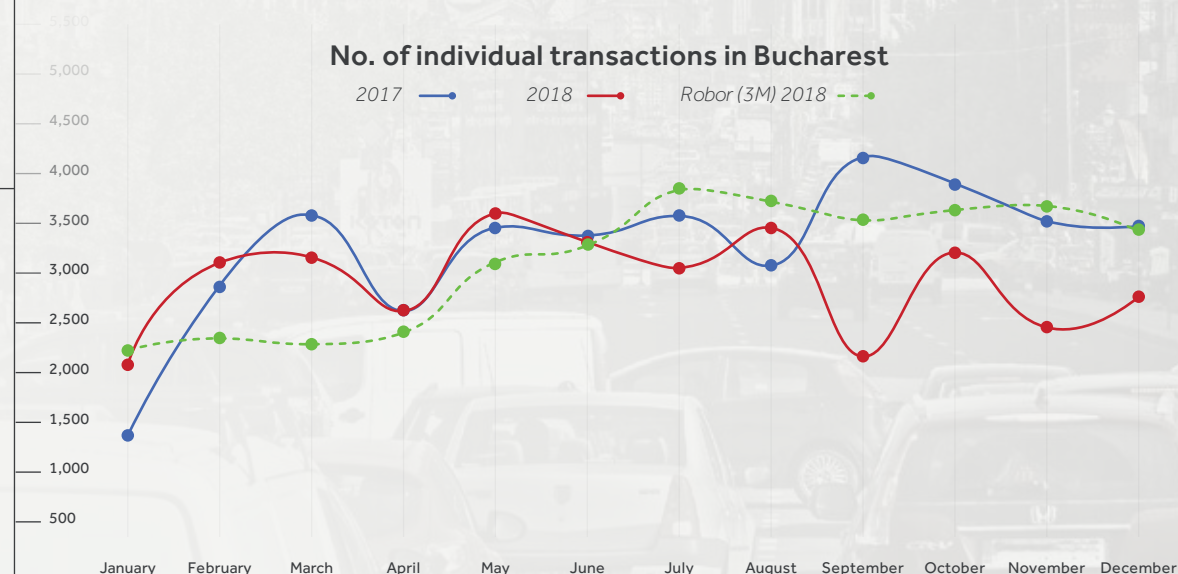
The demand for homes in Bucharest will continue to be high. Newly built projects will be more sought after than the old residential buildings because of the small price difference and the high quality of the dwellings in most of the newly built projects. New areas suitable for residential development, such as Expozitiei, will appear.

A large number of residential projects are depending on the delivery of the M5 and M6 metro lines. Once these lines will be functional, the demand for residential developments in the adjacent areas will increase. For the moment, these projects are ideal for investment keeping in mind that the delivery of these two lines might be delayed.

Month	2017	2018	Dynamics (y/Y)
January	1,380	8,990	50%
February	2,932	11,488	6%
March	3,587	12,473	-13%
April	2,693	10,117	1%
May	3,465	13,021	3%
June	3,324	11,102	-2.23%
July	3,506	10,173	-14.26%
August	3,137	10,310	-8.51%
September	4,223	8,785	-47.79%
October	3,844	11,148	-17.07%
November	3,522	9,002	-30.38%
December	3,373	7,909	-18.50%
JAN-DEC AVERAGE	38,986	34,813	-11%
Change (no.)	3,249	2,901	4,173



New residential areas will emerge



No. of individual transactions in Bucharest, 2018 vs 2017. Source: ANCP

Bucharest Residential Market

02. Supply

Currently, there are 318 new residential projects in Bucharest under various phases of construction, out of which 101 have been delivered in the first half of 2018. The total number of units within these projects exceeds 55,000. The 6th district has the largest number of units under development, 20,000, followed by the 4th district, with 10,300 units, the other districts registering under 10,000 new units each.

District No. of projects

1	57
2	43
3	67
4	69
5	32
6	50

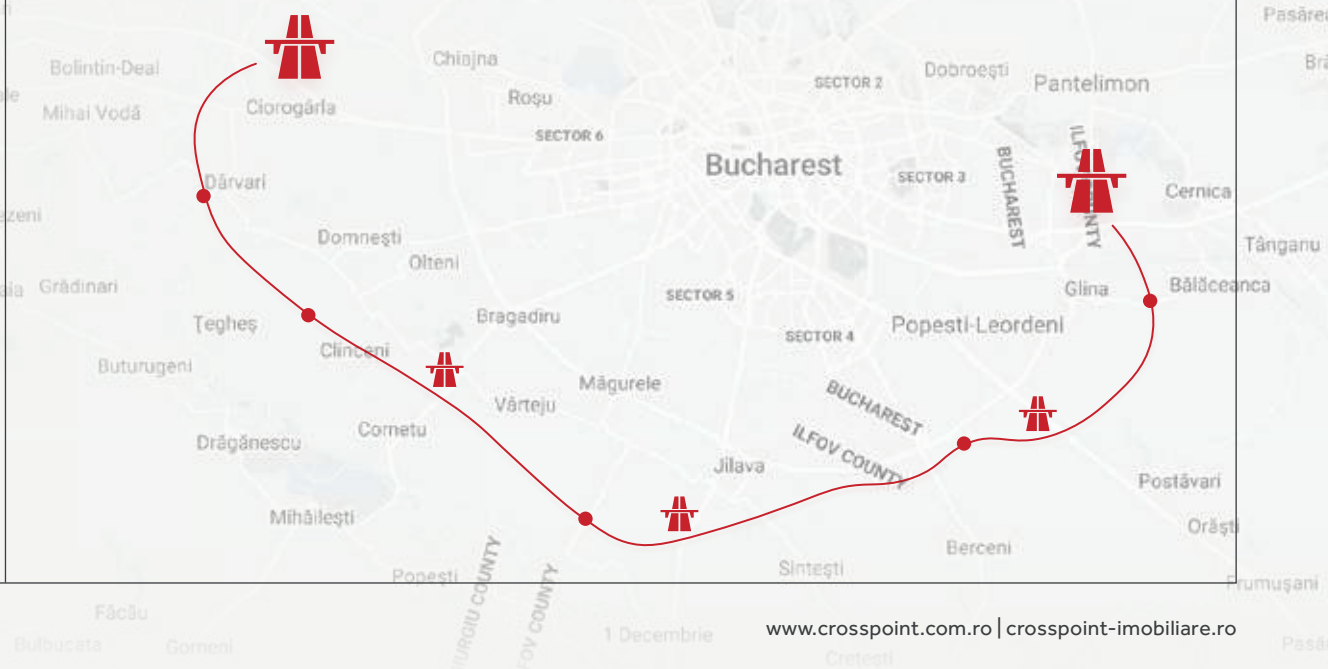
Trends

For 2018-2020 the City Hall has planned a series of infrastructure development projects, the most important one being the completion of A0 Beltway. Other projects include expansions or enlargements of main roads and the construction of underpasses in areas of high traffic. As long as the planned methods for diminishing the high traffic will be implemented, it is expected that these measures will help boost the residential market in these areas.

Along with the ventilated façades, green roofs or charging stations for electric vehicles, the "smart home" type of dwelling will appear more and more on the Romanian market in the next few years. The attention that new generations pay to the environment, the continuous development of technology as well as a strong competition on the residential market are some of the causes that influence the development of such projects. The "Green Mortgage" programme, a product that offers low interest rates on mortgages for green homes, will attract both the developers and the potential buyers.

Top largest projects to be delivered in 2018-2020 in Bucharest

Project	Developer	Area	No. of units
Metalurgiei Park	Sud Rezidential	South	5,000
Palladium Residence	Jacob Gardens	South-East	2,500
Plaza Residence	Pedro Company Constructexim	West	2,042
AFI City	AFI Europe	North-West	2,000
Onix Park	Mohammad Murad	North	2,000
West Garden	Dragos Bilteanu	West	1,700
Belvedere Residence	Belvedere Developments	North	1,556
21 Residence	Pedro Company Constructexim	West	1,500
Vivenda	Hercesa	East	1,400
H Pipera Lake	Hagag Development	North	1,350
Moghioros Park Residence	Mohamed Hassanain/Saddiq Abu Seedo	West	1,300
Rotar Park Residence	Eskiocak Family	West	1,300
Sema City	River Development	West	1,200
Gran Via Park	Gran Via	West	1,100



Bucharest Residential Market

03. Sale Prices

The average price for homes in Bucharest recorded a 5% increase at the end of 2018 compared to the beginning of the year. This was mainly a consequence of higher construction costs and the increase in wages and therefore in the population's lending capacity.

The average apartment prices in Bucharest vary from approximately 950 EUR/sqm in areas like Rahova or Ghencea to 2,580 EUR/sqm in areas like Primaverii, Kiseleff, Herastrau. The lowest prices are registered on the western and southern external areas, while in the northern areas like Primaverii, Floreasca and Herastrau the prices reach 2,800-3,000 EUR/sqm.

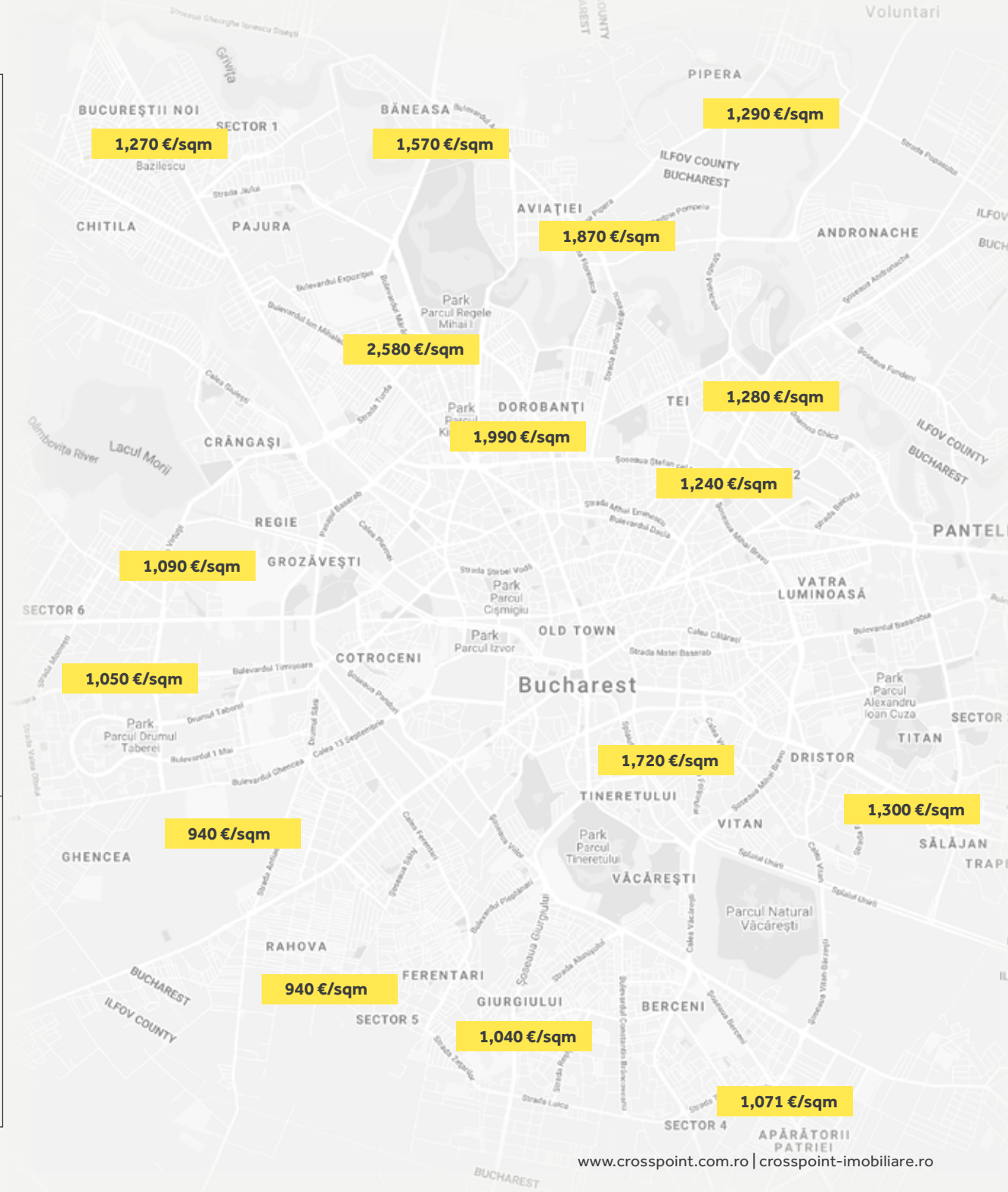


Higher prices due to increased construction costs. North remains the highest-priced

Trends

2018 has been the year when the residential market in Bucharest reached maturity. The newly built apartment prices will most probably come to a standstill or will register a slight increase, while the price of older products is expected to drop.

New lending products will appear, while the "First Home" programme will gradually disappear. The price restrictions that this type of mortgage imposed led the demand towards the old dwellings, thus the programme did not stimulate the development of new products. As the guarantee cap of this state programme will keep on decreasing, this product will no longer be necessary on the market.



Bucharest Residential Market

04. Rents

For old dwellings, the rent levels have registered a slight decline compared to the same period in 2017, while new dwellings have kept a constant rent level this year. The lowest rent levels are in the southern and western parts of the city, although the differences between areas are relatively small.

In newly built projects, the rental level for a studio starts at 220 EUR/month in areas like Militari and Berceni and reaches 400 EUR/month on the city centre, with a maximum of 450-500 EUR/month in areas like Herastrau and Aviatiei. In old apartment buildings, studio rental levels start at 200 EUR/month and go up to 450 EUR/month.

One-bedroom apartments in new buildings may be rented for 400-450 EUR/month in the southern and western areas, 550-700 EUR/month in the city centre and up to 1,500 EUR/month in the northern area (the average level is of about 800 EUR/month), while rent levels for old one-bedroom apartments start at 300 EUR/month in the West, South and East Bucharest, reach 500 EUR/month in the city centre and up to 650 EUR/month in the North.

Rental levels for two-bedroom apartments start at 450 EUR/month on the western, southern and southeastern outskirts of the city, reach 650-700 EUR/month in central Bucharest and are above 1,500 EUR/month in the North. For old dwellings, the asking rent starts at 400 EUR/month in West, South and East, reaches 500 EUR/month in the city centre and go up to 1,000 EUR/month in the northern area.

Trends

Areas like Grozavesti or Militari, with a significant volume of new residential developments located in the vicinity of metro stations, will continue to maintain rent levels close to semi-central areas. This is one of the reasons the western area is sought after especially by investors, because the apartment prices are significantly lower than in other areas where the asking rent is roughly the same. The vicinity to office buildings and universities adds to the advantages of the area.

The northern area will continue to be the preferred residential rental destination for expats, Romanians with high budgets preferring to buy their own home.

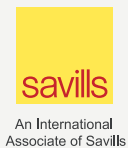
The growing presence of investors on the new residential market along with the small differences between the rent levels in new and old buildings, we expect a drop in the asking rent for old buildings, with the exception of central Bucharest, where the limited supply of new products as well as the benefits that the area has to offer will maintain the rents at a constant level.



North preferred by expats,
West by investors



Land Market Overview



Romanian
Real Estate
Market 2018

Bucharest land market

Overview

Bucharest's land market remained strong throughout 2018, with a similar transaction volume to the previous year. The largest recorded transactions reached around 280 million EUR in 2018, 30 million EUR more than in 2017, making 2018 the most dynamic year in the last decade. Local investors have remained the most active players on the market, with a 50% share, followed by Israeli and Belgian investors, while the main destination for the transacted land plots was still the development of residential projects.

Given the current economic context, land buyers in 2018 have sought to secure their investments. The actual materialization of their projects might be postponed for a few years if the circumstances become unfavorable while their assets are safe from any possible value fluctuation. 2019 is set to encounter a drop in the volume of land transactions, as most of the established investors have already bought the land they needed for their future projects in the past two years.

The capital city's hotspots remain the northern and central areas in terms of price, followed by areas like Tineretului and Grozavesti.

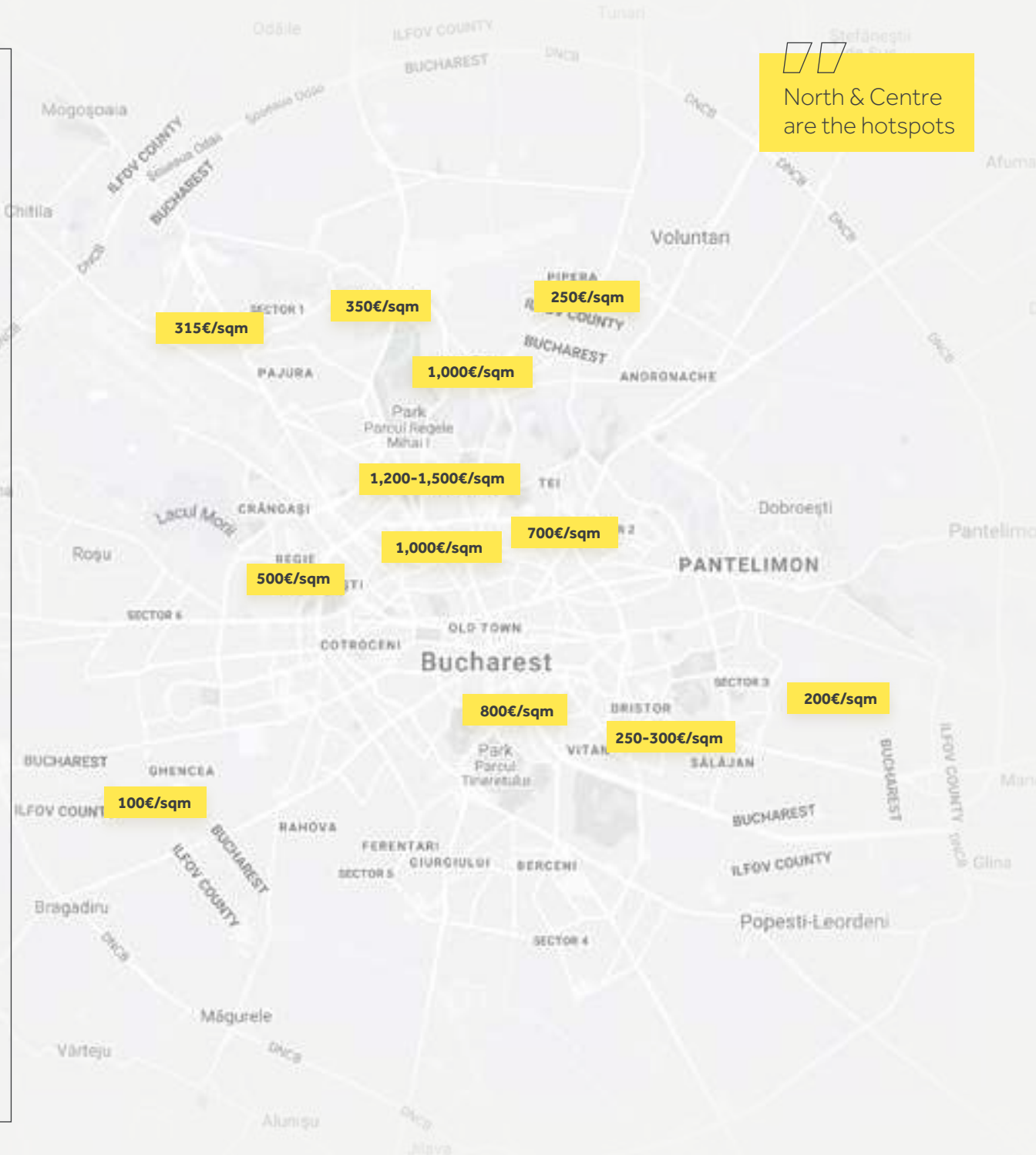
However, prices vary widely within the same area, depending on location, size or the existence of construction authorizations for the land plots that are up for sale.



2018: the record year in land deals. Romanians are the most active investors, while residential is the main use



North & Centre are the hotspots



Top land transactions in 2018

Location	Buyer	Seller	Plot area	Use	Price (M€)*
Ventilatorul	One United Properties	Immofinanz	53,000	Mixed-use	23
UMEB (Cotroceni)	AFI Europe	Broadhurst Investments	43,000	Mixed-use	23
Floreasca Lake (2 plots)	One United Properties	Telekom	25,900	Residential	18
Nusco/Green Court extensions (2 plots)	Globalworth	Nusco Family	10,500	Office	16
Jandarmeriei (2 plots)	Speedwell	Adama	51,000	Residential	15.3
Tandem	Forte Partners	Telekom	8,470	Office	9.6
Pipera	Hagag Development	n/a	30,000	Residential	6
Jiului	Portland Trust	n/a	16,000	Office	6
Floreasca	Atenor	Alia Nord	7,150	Residential	5
1 Mai-Expozitiei	Akcent Construction Projects	n/a	14,500	Office/Residential	4.7
Mircea Eliade Blvd.	Hagag Development	n/a	2,000	Residential	3
Grozavesti (The Bridge phase III)	Forte Partners	n/a	5,400	Office	2.7

**Prices are estimated*

The major land transactions for prospective residential projects have targeted high-end areas of Bucharest, while the office projects are following the established areas such as Pipera and Grozavesti, with Expozitiei as the new hub for both commercial and residential developments.



Expozitiei is the new
development hub

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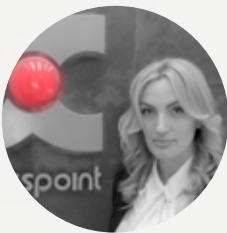
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