DO YOU KNOW...

**ROMANIA IS THE FASTEST GROWING ECONOMY IN EU**

The economy of Romania strongly benefits from general favourable economic climate in Europe. Eurostat reported that over 2017 Romania was the fastest developing country in EU with GDP surges between 5.8% and 8.5% every quarter. The Romania’s GDP growth greatly outpaced the EU average of 2.6%.

**ONE OF THE FASTEST INTERNET IN THE WORLD**

Speedtest Global Index ranks Romania on the 5th place all over the world in terms of fixed broadband internet speed. Romania overtook i.a. United States, Sweden, Germany, United Kingdom or Japan. Iceland is the only country from Europe which is ranked higher in the ranking.

**AUTOMOTIVE LEADER – DACIA**

Dacia, a part of the Renault Group, is the biggest company in Southeast Europe in terms of total revenue. In 2017 it recorded the sales growth by over 12% and reached 3% market share in the entire EU & EFTA region. It means that Dacia was more popular than i.a. KIA, SEAT, Volvo, Suzuki or Honda in 2017.

**“SILICON COUNTRY”**

In 2016 the Information and Communication Technology sector generated 6% of GDP of Romania. It means that the ICT sector has reached the same share in GDP as agriculture, with ten times less people working in the sector. In the next 5 years, the share of ICT is expected to exceed 10% of GDP. 1,235 companies from the ICT industry operate in Cluj-Napoca which is also the second strongest ICT hub in Romania.

**TRANSFAGARASAN: WORLD’S BEST ROAD TRIP**

The Transfagarasan mountain road (national road 7C) is one of the most spectacular roads in the world. It runs through the Fagaras mountains, which are also called the Transylvanian Alps. The road is about 90 km long and climbs to an altitude of 2,042 metres. In 2009 the BBC TV show Top Gear was filmed along the road and Jeremy Clarkson claimed the Transfagarasan as the best road in the world.
Romania has been in the last years the country to watch out for, a fast-growing market in Europe with positive macroeconomic factors and forecasts. As a member of European Union since 2007, Romania has been taking an advantage of the free flow of people, goods, services and capital. With a distinctly pro-Europe mentality, it is a country located at the crossroads of South-Eastern & Central Europe, providing an easy gateway for foreign investors to access other markets within the European Union, and allowing them to penetrate through the lucrative markets of Middle-East countries.

With a property investment volume totalling almost €1 billion in 2017, the country presented a series of great opportunities in the commercial property market, with a continued boom in the office segment and growing investment volumes in retail or industrial sectors.

Romania provides foreign investors with competitive labor costs, industrial diversity and real possibilities for the development of new economic entities, remaining an attractive destination for business.

This brochure sets out a detailed description of the regional hot spots in Romania and market potential. Bucharest continues to have the largest pipeline of new projects due to the development of the office market, industrial, but also residential sectors. Cities like Cluj-Napoca, Iasi, Timisoara or Brasov are following closely behind and we believe the pace of development in these cities will accelerate in the coming years.

The brochure provides a summary of significant facts investors and developers need to know about the Romanian real estate market before they invest.

Thank you for taking the time to read this guide and I wish you successful investments in Romania!

Foreword

Romania
The Rising Star of CEE


The overall attractiveness of Romanian property will be strengthened by yields, as they remain higher than the rest of Central and Eastern Europe, at the level of 7.25% for office, 7% for retail and 8.5% for industrial.

**1. Talented Labor Force**

The Romanian Higher Education system instructs approximately 590,000 students annually in 97 universities for different areas of specializations. Despite recent increases of salaries, the cost of human capital still makes Romania attractive for foreign companies.

**2. Domestic Demand – The Key Driver for Economics**

The main driver behind economic growth is domestic demand, which was confirmed by strong retail sales of around 11% in 2017. E-commerce in Romania is developing strongly almost reaching a sale volume of Euro 3 billion in 2017.

**3. Rich Natural Resources**

Investment funds and farmers are particularly attracted by large areas of agricultural land which still have a very competitive price compared to Western Europe. Romania has approximately 8% of the total arable land area of EU28.

**4. Growing Real Estate Market**

During the last 3 years the fundamentals of property market obviously improved being reflected in the compression of yields and volume of investments that is expected to exceed Euro 1bn in 2018.

**5. The Fastest GDP Dynamics in the EU**

In the last 5 years Romania has been recording one of the fastest GDP dynamics in the EU peaking 7% in 2017. The forecast remains bright with more than 4% growth in 2018.
ROMANIA OVERVIEW

BUCHAREST

BUCHAREST ATTRACTED THE MAJORITY OF LARGE INTERNATIONAL COMPANIES IN ROMANIA being the preferred location for setting their local operation headquarters. Bucharest is the largest consumption market and labor force pool remaining highly attractive for retailers and office occupiers. The positive sentiment amongst companies and qualitative growth of the market raised the total take-up in 2017 at 322,000 sqm, the best performance of the market ahead 2007.

The new infrastructure projects will influence and reshape the geographical development pattern of the office segment. Expozitiei-Presei Square area, the newest hot spot of the local market, will record significant office developments that are encouraged by large vacant plots and the proximity of the new underground network that will extend to the international airport. Similar effects will be visible on the industrial segment where the improvement of the eastern and southern sections of the ring road will increase the attractiveness of these areas. The proposed completions total approximately 300,000 sqm in 2018 that results in a total modern stock of 1.8 million sqm at the end of the year.

The expansive evolution of e-commerce positively influences the evolution of demand for modern offices and warehouses in the proximity of large markets like Bucharest and large regional cities (Timisoara, Cluj-Napoca). As Bucharest has the highest purchasing power and population density, the retail modern supply represents approximately 40% of the existing supply in Romania. With approximately 1.2 million sqm, the local retail market will be dominated by the extensions of the existing shopping centers that intend to consolidate the market position.

Bucharest will remain the main target area for investors as other regional markets have less investment opportunities. Especially the new office developments will offer investment products attractive also for investors that are not yet present in Romania. Given the active demand, prime yields might slightly compresses further in short to medium term.

Key Facts

<table>
<thead>
<tr>
<th>OFFICE</th>
<th>RETAIL</th>
<th>WAREHOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total modern stock (sqm)</td>
<td>3,200,000</td>
<td>1,250,000</td>
</tr>
<tr>
<td>Prime headline rents (€/sqm/mth)</td>
<td>18-19</td>
<td>35-50</td>
</tr>
<tr>
<td>Prime yield (%)</td>
<td>7.25-7.50</td>
<td>6.75-7.25</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

2,104,967
Population

1.5%
Unemployment rate

172,038
Students

€683
(AV 3,164)
Average gross salary

The Bridge Building Bucharest, completed in Q3 2017.
INVESTING IN ROMANIA – 2018

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BNP Paribas Real Estate

BNP Paribas Real Estate

2018 – INVESTING IN ROMANIA

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ROMANIA OVERVIEW

TIMISOARA

OFFICE DEMAND IS MAINLY UNDERPINNED BY COMPANIES FROM ADVANCED TECHNOLOGIES AND IT&C SECTORS. Direct highway connection with the Western Europe attracts logistic service providers and manufacturers from the automotive industry. The retail stock is about to increase by 70,000 sqm until end of 2019. Investors are particularly interested in office and industrial properties.

KEY FACTS

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<tr>
<td>Total modern stock (sqm)</td>
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<tr>
<td>Prime headline rents (€/sqm/mth)</td>
<td>12-14</td>
<td>20-30</td>
<td>3.00-4.00</td>
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<tr>
<td>Prime yield (%)</td>
<td>8.25-9.00</td>
<td>7.75-8.25</td>
<td>8.75-9.25</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

331,000 Population

1.0% Unemployment rate

40,002 Students

€594 (RON 2,749) Average gross salary

Source: BNP Paribas Real Estate

IASI

THE UNIVERSITY SYSTEM AND LOWER HUMAN CAPITAL COSTS ATTRACTED COMPANIES like Amazon, Xerox, Capgemini and Yonder. The industrial segment will have a boost after the completion of the first warehouse inside Miroslava Industrial Park (46 hectares). It is the largest mixed use project completed in regional cities.

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<td>Total modern stock (sqm)</td>
<td>160,000</td>
<td>160,000</td>
<td>50,000</td>
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<tr>
<td>Prime headline rents (€/sqm/mth)</td>
<td>10-12</td>
<td>15-25</td>
<td>3.25-3.75</td>
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<tr>
<td>Prime yield (%)</td>
<td>8.75-9.25</td>
<td>8.00-8.50</td>
<td>9.00-9.50</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

371,889 Population

4.1% Unemployment rate

53,174 Students

€514 (RON 2,980) Average gross salary

Source: BNP Paribas Real Estate

CLUSI-NAPOCA

CLUJ-NAPOCA HAS THE SECOND BEST PERFORMING OFFICE MARKET in Romania with low vacancy rates (approx. 7%) and stock above 200,000 sqm.

The 2nd major university center in Romania, Cluj-Napoca attracted a large number of IT&C companies that sustained the rapid development of office market during the last 2 years.

The completion of A10 Highway will improve the access towards Bucharest and Western Europe.

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<tr>
<td>Total modern stock (sqm)</td>
<td>210,000</td>
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<td>230,000</td>
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<td>Prime headline rents (€/sqm/mth)</td>
<td>12-14</td>
<td>25-35</td>
<td>3.25-4.00</td>
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<tr>
<td>Prime yield (%)</td>
<td>8.25-9.00</td>
<td>7.75-8.25</td>
<td>8.75-9.25</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

323,108 Population

2.0% Unemployment rate

67,262 Students

€601 (RON 2,783) Average gross salary

Source: BNP Paribas Real Estate


BRASOV

STILL IN EARLY STAGE OF DEVELOPMENT, the office market is highly appealing to IT and BPO companies. The local industry is currently dominated by German companies active in the automotive sector. Brasov recorded one of the most important office investment transaction (Euro 50 Million) concluded in regional cities. Another 45,000 sqm of modern retail stock will be delivered in the next 1.5 years.

KEY FACTS

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<tr>
<td>Total modern stock (sqm)</td>
<td>110,000</td>
<td>130,000</td>
<td>260,000</td>
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<tr>
<td>Prime headline rents (€/sqm/mth)</td>
<td>10-12</td>
<td>25-35</td>
<td>3.00-3.50</td>
</tr>
<tr>
<td>Prime yield (%)</td>
<td>8.50-9.25</td>
<td>8.00-8.50</td>
<td>9.00-9.50</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

290,167 Population

2.8% Unemployment rate

21,296 Students

€547 (RON 2,532) Average gross salary

Source: BNP Paribas Real Estate

BRANDS YOU KNOW
IN LOCATIONS YOU MAY NEVER HAVE HEARD ABOUT

ORADEA
Population: 221,861
Unemployment rate: 2.43%
Number of students: 15,833
Net monthly average salary: €432

CLUJ-NAPOCA

PLOIEŞTI
Population: 230,523
Unemployment rate: 6.939
Number of students: 3.02%
Net monthly average salary: €486

CRAIOVA
Population: 303,321
Unemployment rate: 8.80%
Number of students: 21,929
Net monthly average salary: €464

MAJOR COMPANIES / INVESTORS:
ArcelorMittal, Dutch Marine Trading, Damen, NEPI

GALATI
Population: 302,772
Unemployment rate: 7.86%
Number of students: 14,142
Net monthly average salary: €484

BRĂILA
Population: 206,957
Unemployment rate: 5.06%
Number of students: 710
Net monthly average salary: €425

MAJOR COMPANIES / INVESTORS:
Yazaki, Liting Universal Group, WDP

IAŞI

CONstanţa
Population: 315,394
Unemployment rate: 8.07%
Number of students: 21,929
Net monthly average salary: €474

MAJOR COMPANIES / INVESTORS:
Constanta Shipyard, Rompetrol, Ameropa Grains, Biochem, NEPI, Immofinanz

Bucharest
OFFICE MARKET OVERVIEW

Office market is highly concentrated in Bucharest – 80% of the total stock (4m sqm).

While take-up is dominated by relocations in Bucharest, large regional cities benefit from the entrance of new companies on the local market. IT&C companies, call-center and BPO operators have continued to expand being the main demand sources.

Regional cities (Timisoara, Cluj-Napoca, Iasi and Brasov) have come a viable alternative to Bucharest in terms of office quality and total occupancy costs.

STRUCTURE OF OFFICE STOCK BY LOCATION

Source: BNP Paribas Real Estate

ANNUAL OFFICE TAKE-UP IN BUCHAREST

Source: BNP Paribas Real Estate

RETAIL MARKET OVERVIEW

Regional cities will concentrate almost exclusively the development activity in 2018.

The new proposed stock (approx. 300,000 sqm) during the next 3 years is dominated by the extension of the existing shopping centers as owners intend to consolidate the market position of their assets.

Middle size regional cities will be the main target of retail developers for projects up to 15,000 sqm.

Source: BNP Paribas Real Estate

EVALUATION OF SHOPPING CENTERS COMPLETIONS

Source: BNP Paribas Real Estate, f - forecast

EVOLUTION OF RETAIL TRADE, EXCEPT OF MOTOR VEHICLES AND MOTORCYCLES (Y-O-Y EVOLUTION)

Source: BNP Paribas Real Estate

AVERAGE RENTS IN SHOPPING CENTERS, EURO/SQM/MONTH

Source: BNP Paribas Real Estate
The level of take up was 420,000 sqm in 2017, being with 5% higher compared to the level recorded for 2016. The structure of the transactions clearly shows that the major lease transactions throughout Romania are pre leases – built-to-suit projects. Developers also started to take the risk of speculative developments that address also to small and medium size tenants. Logistic service providers and retailers generated the main portion of demand. The majority of transactions was concentrated in Bucharest submarket that attracted approx. 45% of transactions.

A new stock of approximately 300,000 sqm is proposed for completion for 2018, of which approximately 60% will be located in Bucharest.

### Major Landlords:
CTP, Globalworth, Logicor, P3, Panattoni, WDP

### Industrial Take-Up in Romania (SQM)

<table>
<thead>
<tr>
<th>Year</th>
<th>Take-Up (SQM)</th>
</tr>
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<tbody>
<tr>
<td>2010</td>
<td>200,000</td>
</tr>
<tr>
<td>2011</td>
<td>150,000</td>
</tr>
<tr>
<td>2012</td>
<td>120,000</td>
</tr>
<tr>
<td>2013</td>
<td>100,000</td>
</tr>
<tr>
<td>2014</td>
<td>150,000</td>
</tr>
<tr>
<td>2015</td>
<td>180,000</td>
</tr>
<tr>
<td>2016</td>
<td>200,000</td>
</tr>
<tr>
<td>2017</td>
<td>220,000</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate
BNP Paribas Real Estate, one of the leading international real estate providers, offers its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management. With 5,100 employees, we support owners, leaseholders, investors and communities in their projects thanks to our local expertise across 36 countries. BNP Paribas Real Estate is part of the BNP Paribas Group.

As regards Central & Eastern Europe, we provide services in respect of Capital Markets, Property Management, Transaction, Valuation and Consulting.
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