

BRAN ESTATE RESTORATION COORDINATED BY VITALIS



Bran estate, located in Brasov County, Bran Village, includes Bran Castle, Queen Mary Tea House, Administrator's House and Princess Ileana House.

Currently Vitalis is coordinating the restoration works of two historical monuments, i.e. Bran Castle, dated 1377 and Queen Mary Tea House (Casa de Ceai a Reginei Maria) dated 1920.

Back in 2015, "Compania de Administrare a Domeniului Bran" has contracted Vitalis in order to undertake two technical and

financial analyzes of a set of works packages with regards to the conservation of wall painting and architectural surfaces of the Bran Castel's main entrance as well as regarding the restoration of "Casa de Ceai" project.

Following this first stage of our collaboration with Compania de Administrare a Domeniului Bran, the business relationships continued with façade restoration works of the "Casa de Ceai" and later of the Bran Castle.

The strict historic sites regulations and the domain of Bran Castle's specific standards were assimilated and implemented by all the parties involved in the project, under full supervision and coordination performed by Vitalis Consulting.

The restoration projects have represented a challenge for everyone, both in terms of historical value of the buildings and the magnitude of works as well, but the results are remarkable.



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"Casa de Ceai a Reginei Maria" was already completed and by functioning as a restaurant, gathers together local peoples and tourists from all over the country and hopefully from abroad as well and transforms the Bran estate and the castle's parks in a remarkable area open to public access.

Flavia Popa

REAL ESTATE INVESTMENT MARKET

In 2007/2008 Romania had a very liquid real estate investment market with total volumes of over € 2 billion and € 1 billion respectively, despite the limited availability of modern product at the time. Romania was then the third largest investment market in terms of deal flow in CEE (after Poland and the Czech Republic). Between 2009 and 2013, volumes have decreased significantly, as the number of active players plunged sharply. Transactional activity picked up in 2014, when ca. €1.17 billion was transacted (including a number of unique, very large deals) and 2015, when the property investment volume was of approximately €670 million. Given its size in terms of population and forecasted GDP, we expect that Romania should be



second only to Poland in CEE in terms of investment volumes at some point over the coming years.

The property investment volume in the first half of 2016 is estimated at €340 million, a value 80% higher than that registered in the same period of 2015 (€187 million).

Traditionally, Bucharest is the main destination of the real estate investors in Romania, mainly due to the size of the market and the availability of institutional quality product, especially in the office sector. In the first half of 2016, the Capital City accounted for close to 48% of the total investment volume. Market volumes were balanced between retail transactions (45%) and office (38%) while industrial accounted for close to 17%.

Investor interest has increased due to the solid market fundamentals as well as to the still significant yield spread of around 2.25% - 2.50% between Romania and Poland or the Czech Republic. Improving financing conditions and increasing appetite from banks for good product and serious sponsors are also encouraging new investment.

Liquidity is limited by the supply and by the difference in pricing expectations between sellers and buyers. Prime products offered in structured sale processes are rare, while vendors expectation that yields in Romania will soon compress closer to those from the core CEE markets can lead to a pricing gap.



Prime yields are expected to remain stable by the end of the year, with 7.25% for retail, 7.50% for office while for industrial at 9.00%. Yields have compressed between 25 and 50 bps over the year.



(Source: JLL Bucharest City Report Q3 2016)

BUCHAREST OFFICE IN THE THIRD QUARTER 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.

By the end of 2016 we expect another 80,000 sq. m to be delivered. As predicted, some properties have been delayed with delivery from 2016 to 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 2016- - 2018. West sub-market will host 34% of the 2017 new supply, followed 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.

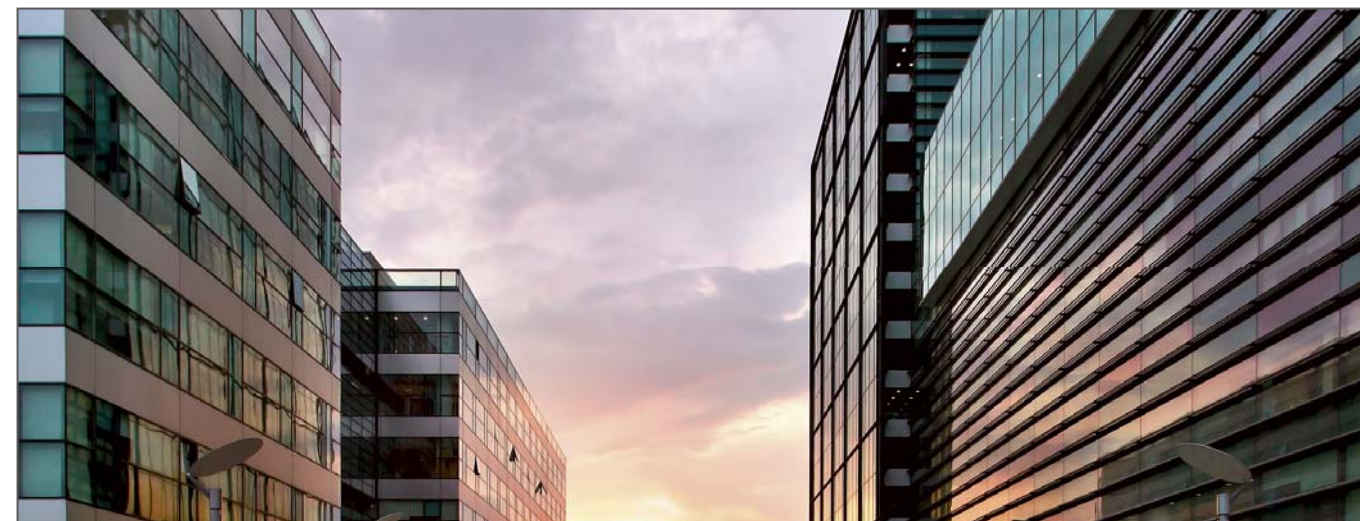
Vacancy

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%.

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.



(Source: cbre.ro)

CONSTRUCTIONS GROWTH IN ROMANIA UNDER 2 PERCENT IN THE FIRST NINE MONTHS OF THE YEAR

The increase of the constructions works in Romania in the first nine months of the year slowed down to only 1.9 percent, because of the major rehabilitations, which fell by almost 14 percent, according to the data of them National Institute of Statistics (INS).

On the structural elements, there were increases of the new construction works by 4.5 percent and in the maintenance works and current rehabilitations by 3.9 percent. The construction activity in the residential buildings rose by 2.8 percent, engineering constructions by 2.3 percent and on the non-residential buildings the increase was of 0.8 percent.



The constructions works volume grew as gross series by 18.5 percent, in September compared with August, a growth on the structural elements: major rehabilitation works by 28.5 percent, maintenance works and current rehabilitations by 24.6 percent and new construction works by 14.6 percent.

The constructions works volume grew as gross series by 0.7 percent in September compared with the same month of 2015. On structural elements, gains were registered for the maintenance works and current rehabilitations by 3.1 percent and at new constructions by 2.1 percent. The major rehabilitation works dropped by 10.2 percent.



(Source: INS—www.insse.ro)

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